

Message Text

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ACTION EB-08

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TO SECSTATE WASHDC 8571
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION USBERLIN
/USMISSION USNATO 1573
USMISSION GENEVA
AMCONSUL MUNICH

C O N F I D E N T I A L BUCHAREST 1837

E.O. 11652: GDS
TAGS: ECON, ECSM, RO
SUBJECT: GOR PRICING POLICY

REF: BUCHAREST 908

1. ONE SPECIFIC AGENDA ITEM DISCUSSED DURING
ROMANIAN COMMUNIST PARTY'S MARCH 7 POLITICAL
EXECUTIVE COMMITTEE (POLEXCO) MEETING WAS PRICING
POLICY FOR CURRENT FIVE-YEAR PLAN (FYP). ACCORDING
TO MARCH 8 PRESS REPORT IN SCINTEIA, POLEXCO NOTED
THAT INCREASE OVER TWO-YEAR PERIOD, 1976-77,
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TOTALED 1.7 PERCENT OVER 1975 PRICE LEVEL. ANNUAL
PRICE INCREASES FOR 1976 AND 1977 WERE 0.9 PERCENT
AND 0.8 PERCENT, RESPECTIVELY. WITHOUT ELABORATING,
PRESS REPORT NOTED THAT POLEXCO WILL "TAKE MEASURES
TO ASSURE THAT PRICES EVOLVE WITHIN PLANNED LIMITS."

2. COMMENT. OFFICIAL INFLATION STATISTICS CITED

IN PARAGRAPH 1 SHOW PRICE INCREASES WELL WITHIN FYP GUIDELINE OF 1 - 1.2 PERCENT ANNUAL INCREASE. IT SEEMS CLEAR, HOWEVER, THAT OFFICIAL STATISTICS ARE SHAM AND THAT REAL RATE OF INFLATION CONSIDERABLY HIGHER. POLISH ECONOMIC COUNSELOR IN BUCHAREST TOLD US THAT REAL RATE OF INFLATION IN ROMANIAN ECONOMY IS 5 - 8 PERCENT AND HAS EVEN BEEN COMPUTED AS SUCH BY GOR STATE PLANNING COMMITTEE. POLE NOTED THAT PRICES FOR BASIC FOODS ARE LOW BUT PRICE INCREASES FOR MANUFACTURED GOODS HAVE BEEN SUBSTANTIAL.

3. WE INTERPRET POLEXCO REPORT TO MEAN THAT THERE WILL BE NO SHARP, ONE-TIME, GENERAL INCREASE IN PRICE LEVEL FOR 1978. GOR WILL APPARENTLY CONTINUE TO SUPPORT POLICY OF "DISGUISED" INFLATION BY SUCH METHODS AS ALLOWING SHORTAGES TO OCCUR, RAISING PRICES QUIETLY WITHOUT PUBLIC ANNOUNCEMENT ON INDIVIDUAL ITEMS, AND REINTRODUCING OLD PROJECTS WITH HIGHER PRICES WHEN THEY HAVE NEW PACKAGING OR DESIGN FEATURES. THIS POLICY IS PROBABLY SAFEST IN TERMS OF AVOIDING MANIFESTATIONS OF PUBLIC DISCONTENT. IN MEETING EARLIER THIS YEAR WITH VIRGIL PIRVU OF GOR STATE COMMITTEE ON PRICES, ECONOMIC COUNSELOR WAS TOLD THAT ONLY PRICE INCREASE EXPECTED IN 1978 WAS FOR MASS TRANSIT COSTS, I.E., TRAM, TROLLEY, TRAIN, AND AIRLINE FARES. PIRVU ALSO SAID THERE
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WERE NO PLANS THIS YEAR FOR INCREASES IN ENERGY-RELATED PRODUCTS SUCH AS GASOLINE, ELECTRICITY AND COAL. IT IS CLEAR, HOWEVER, THAT IF CEAUSESCU'S REFORM OF ECONOMIC MECHANISM IS TO BE IMPLEMENTED, PRESENT FIXED PRICING POLICY WILL HAVE TO GIVE WAY. IN THIS CONNECTION, IT SHOULD BE RECALLED THAT PLANS FOR IMPLEMENTATION OF ECONOMIC REFORM HAVE NOT BEEN ANNOUNCED, BUT WE HAVE HAD ONE HINT THAT SOME CONSIDERATION BEING GIVEN TO MAXIMA AND MINIMA FOR CERTAIN CATEGORIES OF GOODS ALONG 1968 HUNGARIAN LINES (SEE BUCHAREST 1799) AMONG VARIOUS POSSIBILITIES. END COMMENT.
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